

# 40 Money Management Tips Every College Freshman Should Know



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NATIONAL ENDOWMENT FOR  
FINANCIAL EDUCATION  
*Partnering for Financial Well-Being*

**SCHOLARSHIP**

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## Introduction

**H**ere you are, starting college. Now, no one is telling you when to go to class, when to study, when to eat your fruits and veggies. And, no one is telling you when and how to spend your money. Now it's up to you.

The financial decisions you make during college might involve a few bucks or thousands of dollars. You're taking your first steps toward financial independence, and it's not always easy to know what the best choices are.

That's why ScholarShop and the National Endowment for Financial Education® (NEFE®) have teamed up to offer you this book. Think of it as your crash course in money management. The goal? To help you learn how to take control of your money instead of letting your money take control of you. When you start controlling your money, you'll know that you are *really* ready to be on your own.



1



## Take charge of your life—and your money

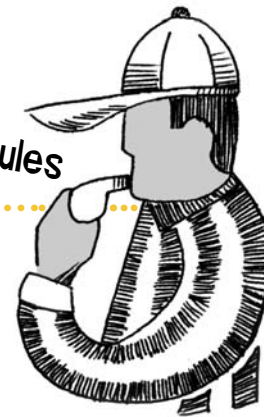
**T**he best way to take charge of your money is to have a plan for it. Instead of thinking about money as just something to spend, think about making your money *work* for you. This is called “financial planning,” and it starts with three steps:

1. Define your financial goals.
2. Make plans to reach your goals.
3. Take action until your goals become a reality.

What financial goals do you have for your money? To save \$25 a month to buy books next semester? To save \$100 a month for the next four years to buy a new car when you graduate? Write down some of your financial goals below.

Goal	\$ Needed	By (Date)	How I'll Reach My Goal

Know the ground rules



2

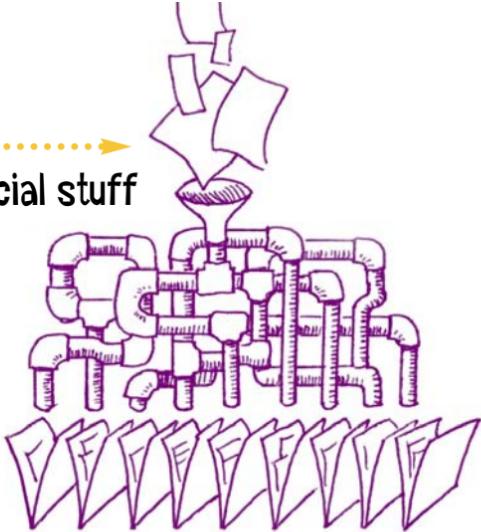
**H**ave you talked to your parents about what they expect from you when it comes to money? Do you know what you can count on from *them*? If you haven't had a money conversation with your folks yet, take the initiative to bring up the subject.

If you get into debt with a credit card, for example, will mom or dad bail you out? Do your parents expect you to work while you're in school, or do they prefer that you concentrate on your studies? Can you call them if you run out of money, or is it up to you to figure things out?

*Now's the time to ask!*



Organize your financial stuff

A purple line drawing of a funnel pouring into a complex, interconnected system of pipes and valves, with a row of folders at the base. A dotted line with an arrow points from the text 'Organize your financial stuff' to the funnel. A large, faint number '3' is in the background.

**Y**ou probably have a notebook for each of your classes to help you stay organized. Take a few hours to get your financial life organized, too. You can keep most financial records in your dorm room or apartment. Buy a file box that locks and separate your financial records into file folders. Or keep your labeled file folders in a cardboard box and put the box in a locked drawer or closet.

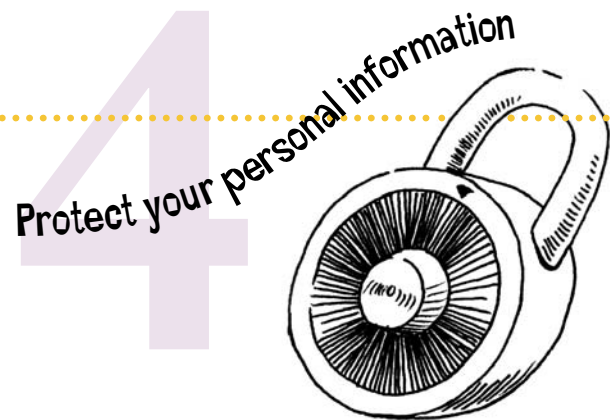
Here's one way to label your files:

- ✶ **Bill Payments.** Put your bills in this file to help you remember to pay them on time.
- ✶ **Checking Account.** In general, save your canceled checks and bank statements for five to seven years in case the IRS audits your tax returns.
- ✶ **College.** Keep records about your courses, grades, and credits.
- ✶ **Financial Aid.** Applications, award letters, and notes about important telephone conversations go here.

- ✦ **Insurance.** File your car, medical, and renter's policies.
- ✦ **Loan and Credit Records.** File loan agreements and payment records for student loans, car loans, credit card payments, and so on.
- ✦ **Receipts and Warranties.** Keep this information for major purchases, such as computers or stereos.
- ✦ **Savings and Investments.** File statements from your bank account and any other accounts you have.
- ✦ **Taxes.** Put your tax returns, W2s, pay stubs, etc., here.

Records that are difficult to replace, such as your birth certificate and Social Security card, should be stored in a safe deposit box at a bank or in a fire-resistant box at home.





**H**ere are a few other steps you can take to safeguard your personal and financial information:

- ⚡ Don't give anyone your Social Security, credit card, or bank account numbers unless you know why they need them. If you are unsure, ask the person to send you a request by mail instead of asking for it over the telephone.
- ⚡ Don't just throw away papers that have these numbers listed on them. Tear up the papers or shred them. Thieves often go through the trash looking for intact numbers so they can raid your accounts.
- ⚡ Don't leave bill payment envelopes at your mailbox for the mail carrier. Someone might take them. Instead, put your envelopes inside a postal mailbox.
- ⚡ Don't send your credit card number over the Internet unless you are sure the Web site is secured.
- ⚡ Tear up or shred unused credit card offers.



- ⚡ Keep your credit card and ATM receipts in a safe place until you've paid the credit card bill or balanced your checkbook. Then tear up or shred them.
- ⚡ Review your credit card statements and telephone bills for unauthorized use. If you suspect fraud, call the company immediately.
- ⚡ If you're a victim of identity theft, report the crime to the police immediately.

## 5 Find the best deal for your checking account

**A** checking account may cost money, but it's a good idea to have one. Using checks is safer than carrying cash. A checking account usually costs less than buying money orders. And, your canceled checks provide a good record of the bills you've paid.

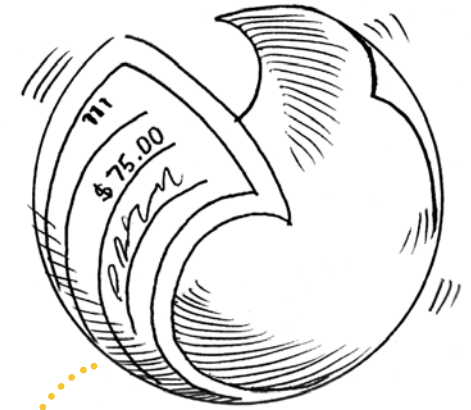
To decide which bank is best for you, call or visit several banks near your college. Also, find out if you are eligible to join a credit union at your college or elsewhere. Credit unions sometimes offer better deals than banks.



Here are some questions to ask:

1. Where is the bank or credit union located? Is there a branch or ATM on campus?
2. Does it have special deals for college students?
3. What is the monthly service charge?
4. Does it pay interest on checking accounts?
5. Does the institution charge for every check written? How much?
6. How much does it cost to print 200 checks?
7. What is the fee for a bounced check?
8. How much does overdraft protection cost?
9. Is there a fee to use the ATM?
10. What other fees does the bank or credit union charge?

## 6 Don't bounce checks



If you “bounce” a check—write a check for more money than you have in your checking account—the bank will charge you \$20, \$30, or more for the mistake. Bounced checks also can hurt your credit record. If other banks learn about your bad habit, they may refuse to give you an account.

To avoid this expensive mistake, do the following:

- ✦ Every time you write a check, enter the amount into your checkbook register and subtract it from your balance.
- ✦ If you use an ATM or have a bank debit card (a card that works like a check), keep the receipts. Write down the transactions in your checkbook register.
- ✦ Don't assume your account balance at the ATM is correct. If you wrote checks that haven't been processed by your bank yet, the ATM balance will be higher than the amount of money you really have. Call the bank for a current balance.

- ✦ When the bank mails your checking account statement each month, compare the bank's figures with your own and balance your checkbook. If you have questions, ask someone at the bank to help you.



## 7 Understand your financial aid



**Y**our financial aid package is a big deal. Make sure you know what you have to do to keep the money coming! Read the information about your financial aid carefully, and then file it in your “Financial Aid” folder.

Some scholarships, for example, require you to maintain a certain grade point average or to take part in events sponsored by the organization that awarded you the money. If you have a work-study job, there may be a requirement that says you can’t work somewhere else. Loans have very specific obligations. Some lenders will require you or your parents, to start repaying the loan right away. Others will allow you to start payments six months after you graduate. It’s up to you to keep track of these things.



## 8 Keep looking for financial aid

**S**cholarships, grants, work-study jobs, and loans aren’t given out only to incoming freshmen.

You can keep applying for financial aid all the way through college. You may think that applying for a scholarship is a lot of work, but look at it this way: If you spend five hours working on a scholarship application and it pays \$250, you’ve earned \$50 an hour for your time ( $\$250 / 5 = \$50$ ). Where else can you get a job that pays \$50 an hour?!

Watch for scholarship postings at your major’s departmental office. Visit your college’s financial aid office. (Even better, make an appointment with someone who works there so you can get to know a financial aid officer personally.) And, check out the Internet. Here are for some Web sites to visit:

- ⚡ College Board ([www.collegeboard.com](http://www.collegeboard.com))
- ⚡ Fast web—financial aid search through the Web ([www.fastweb.com](http://www.fastweb.com))
- ⚡ National Association of Student Financial Aid Administrators ([www.finaid.org](http://www.finaid.org))
- ⚡ Sallie Mae—scholarship service ([www.salliemae.com](http://www.salliemae.com))
- ⚡ U.S. Department of Education ([www.ed.gov/offices/OPE](http://www.ed.gov/offices/OPE))

Do you know the most common mistake students make when applying for scholarships? They miss the deadlines! Get a big calendar and circle deadline dates so you’ll remember to get your applications in on time.

## 9 Watch out for scholarship scams



**T**o avoid becoming a victim of a scholarship scam:

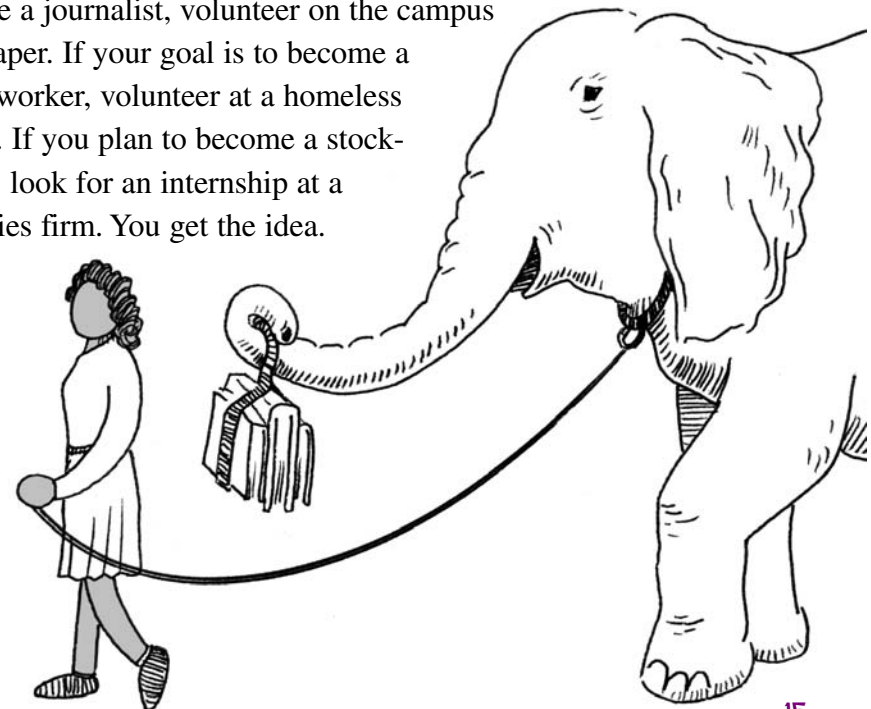
- ⚡ Never pay a fee for scholarship money.
- ⚡ Don't fall for guarantees or claims that someone has information you can't get anywhere else.
- ⚡ Know that legitimate scholarships never charge fees and the application information is available to everyone.



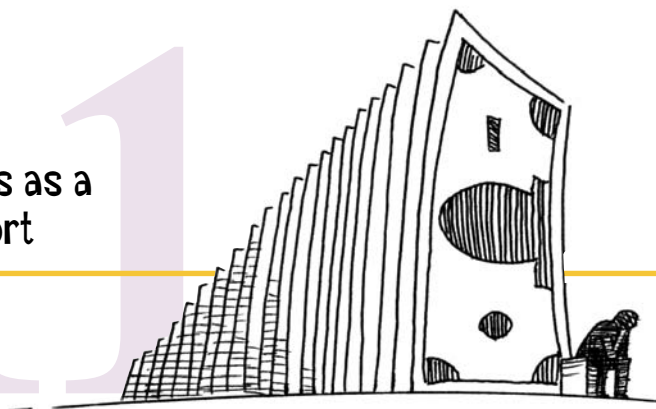
## 10 Make your work-study job work for you

**Y**ou may not have any choice about your work-study assignment, but if you do, look for a job that relates to the career you hope to enter. For example, if you want to become a veterinarian, try to find a work-study job in the Department of Veterinary Medicine or in a related department. Relevant work experience will give you a head start on the competition when it's time to start looking for your first "real" job.

Another way to get work-related experience is to find unpaid internships or volunteer opportunities. If your dream is to become a journalist, volunteer on the campus newspaper. If your goal is to become a social worker, volunteer at a homeless shelter. If you plan to become a stock-broker, look for an internship at a securities firm. You get the idea.



## 11 Use loans as a last resort



**T**hink of student loans this way: They are an investment in your future, but they also will put you into debt. Many students spend 10 or 20 years repaying their college loans. As just one example, if you borrow \$23,000 in a Federal Stafford Loan, you will have to pay \$282 every month for 10 years. (This assumes an 8.25 percent interest rate and a 10-year payback period.) By the time you pay back the \$23,000, plus interest, you will have shelled out \$33,840!

To graduate with as little debt as possible, keep looking for scholarships and grants. That's like finding "free" money. Also, use your summer work earnings. If you do take out a student loan, only use it to pay for school expenses. A student loan isn't money to blow on spring vacations or to pay your credit cards. On the other hand, a student loan that charges 7 to 10 percent interest is always a better deal than putting your tuition bill on a credit card that charges 16 to 22 percent.

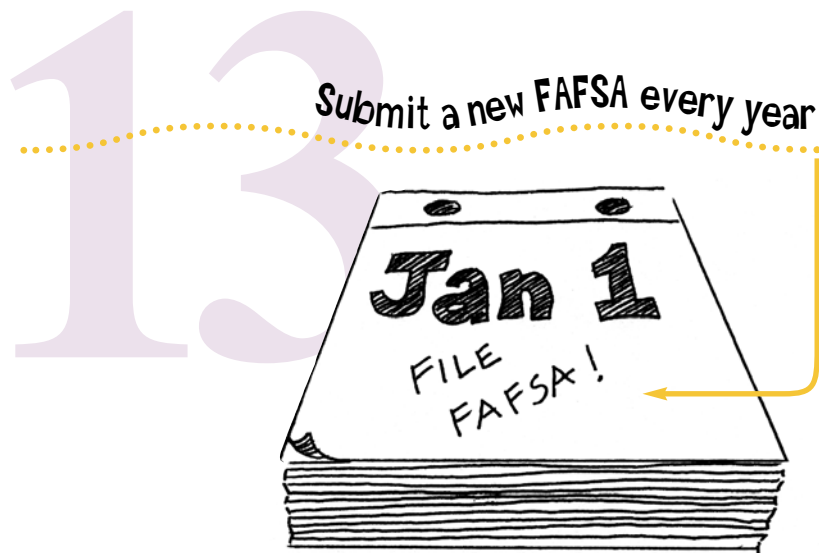
## 12 Understand your student loan obligation



**B**efore you accept a student loan, carefully review it. Make sure you know what you will have to repay and when. Keep in mind that private loans usually have higher interest rates than government loans. Choose the loan that has the lowest interest rate and, if possible, does not require you to start paying it off until you graduate.

Also, understand that a student loan *must* be repaid. If you don't repay it, it will hurt your credit record. A poor credit record will make it difficult—even impossible—to get a loan in the future to buy a car or a house.

In a few situations, the federal government may "forgive" your loan. This means you will not have to repay part or all of it. College graduates who go into law enforcement or agree to teach in a federally designated low-income area for a certain length of time may have part of their student loan forgiven. Ask your financial aid officer for details.



**F**ederal financial aid does not continue year to year. A Free Application for Federal Student Aid (FAFSA) must be filed each year you are in school. Try to file the FAFSA as soon as possible after January 1. You can file online by going to [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

Your parents probably will need to complete the parents' section of the FAFSA.

In general, college students are considered dependents of their parents (in terms of calculating financial aid) until the student has obtained his or her first undergraduate degree or has reached the age of 24. Possible exceptions are students who are veterans, wards of the court, married, single parents, or students with other special circumstances.

## Talk to a financial aid officer if your situation changes

**I**f an unexpected event changes your financial situation—say, one of your parents loses a job or you're hit with a major medical bill—talk with your financial aid office. Most colleges set aside funds to help students get through difficult situations such as these. Even if you blow it—for example, you get yourself head over heels in credit card debt—go to the financial aid office. They can direct you to people or programs that can assist you in getting back on solid footing. No matter how bad things may look to you financially, there's a solution. Talk to someone and get the help you need.



## 15 Make school your first job



**M**any students work part time while going to college. Some even hold down full-time jobs. These students often report that they appreciate their education more because they worked to pay for it.

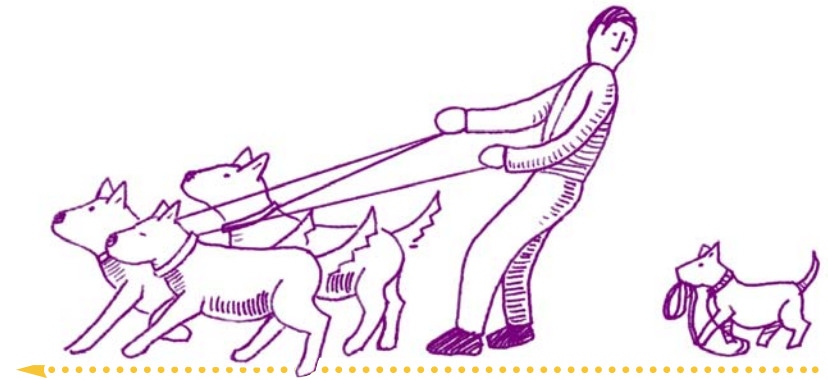
Working doesn't have to interfere with getting good grades, but it does mean you have to manage your time carefully. Don't work too much your freshman year—10 or 15 hours a week is probably plenty.

Another tip: Schedule your study time like you schedule work. Remember, school is your most important job right now. A college education will give you the biggest payoff down the road, so don't let anything else interfere with it. Go to class, participate in discussions, get to know your professors, and make sure you get out of every class what you need to know. After all, you're paying for it!

## 16 Look for a job on campus

**I**f you can find a job on campus, it will probably be easier to fit your work around your class schedule. And, you won't have to pay for transportation to get to a job somewhere else.

Visit your school's student employment office to find out about job openings on campus. Your professors also may know about jobs in their departments. If you can find a job that's related to your major, that's even better. Relevant work experience will look good on your resume when you start hunting for a permanent position after graduation.



## 17 Turn a hobby or skill into a money-making endeavor

**Y**ou don't have to work for someone else to make a few bucks. For example, are you a whiz on the computer or in a particular subject? Offer to tutor students who need help. Do you like children? Advertise to the families of professors and campus personnel that you are available to baby-sit. Put your talents to work and become a young entrepreneur.

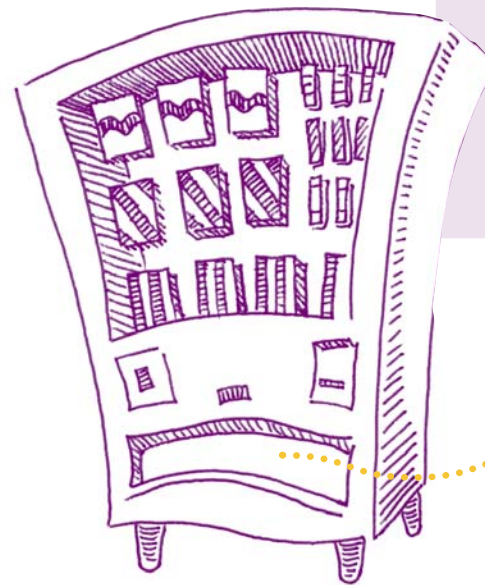


## Choose the meal plan that works for you

**M**any colleges allow students to choose a plan for meals eaten in the dorm's cafeteria. If you are hungry all the time, choose the unlimited meal plan. But if your breakfast or lunch is a granola bar or a piece of fruit, a limited meal plan may work fine for you—and save you a few dollars.

If you don't live in a dorm, you still may be able to buy a meal plan. That's a good idea if you're on campus all day and need somewhere to eat lunch and dinner, or if you live in an apartment but you hate to cook.

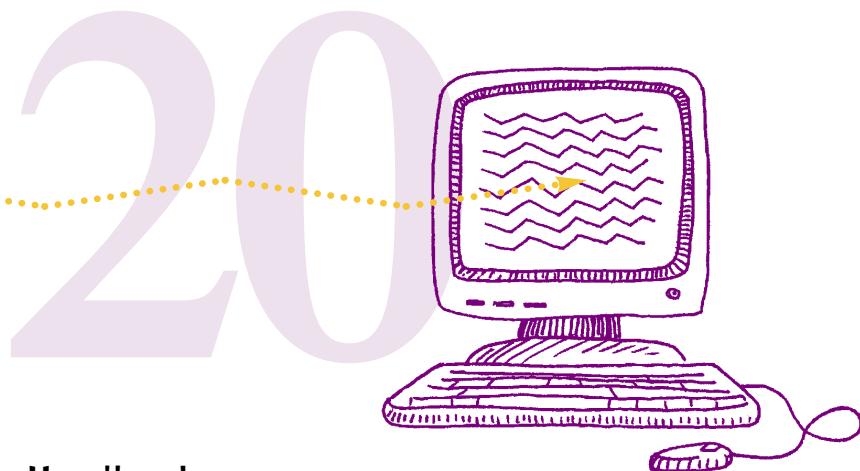
Most important, if you have a meal plan, use it! You've paid for the food. Don't pay again to eat somewhere else.



Save on snacks

**A**void buying sodas and snacks out of vending machines or from convenience stores. Instead, buy snacks at the grocery store and keep them in your room. If your dorm allows you to have a small microwave or refrigerator, share the cost with your roommate and stock up on munchies. (A few healthy snacks might be a good idea, too!)





## Use the dorm or campus computers instead of buying your own

**C**ollege campuses are wired for computers and the Internet, but that doesn't mean you have to buy an expensive new computer. Many dorms have a computer room for residents, and all campuses have computer facilities for students' use.

If you decide to buy a computer, your college will tell you what kind you need and may even offer a discount if you decide to buy one through the college. Or, check into special discounts offered by Apple Computer Inc. Visit their Web site at [www.apple.com/education/hed/students/](http://www.apple.com/education/hed/students/). Another place to check is Dell Computer Corporation, which has teamed with Microsoft to offer lower computer prices for college students through their Campus Essentials program ([www.dell.com/client/edu/facstaff.htm](http://www.dell.com/client/edu/facstaff.htm)). You could even look into buying a good used computer. Finally, buy a good desk lock to secure your computer against theft.



**Y**ou've probably heard some horror stories about college roommates. Getting along with someone in a small dorm room can be a challenge, but it also can be a lot of fun. Just agree on some ground rules.

One of those ground rules should be about money. Talk to your roommate about how you will share the costs of things you might need for your room, how you'll handle long-distance phone bills, and what your policy will be about lending money to each other.

A hint: It's probably better not to lend money to your roommate or anyone else. You'll avoid a lot of hard feelings if someone doesn't pay back the money. And never give someone else your credit card. No matter who charges an item, you'll be responsible for the bill.



## Compare the cost of an apartment with the cost of a dorm

College students often think they can save money by living off campus. What they may not realize is that there are a lot of “hidden” expenses that go with apartment living and, they may not save any money at all by moving out of the dorm.

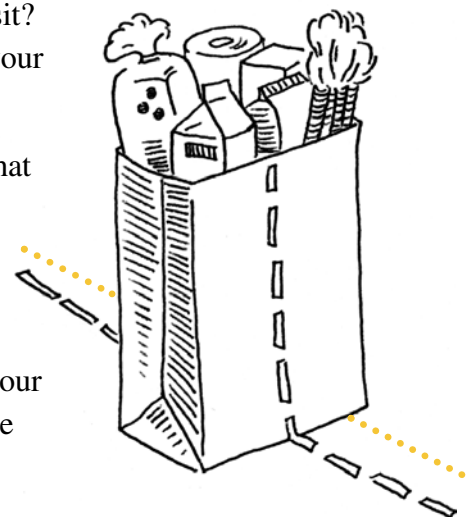


## Set ground rules with your roommates regarding money

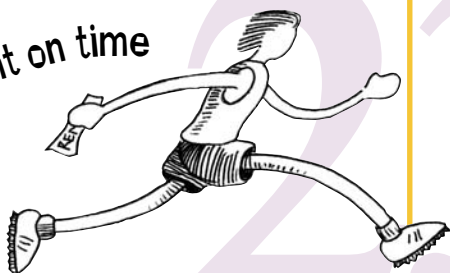
What we said in Tip No. 21 goes double when you have an apartment, because there are so many more money issues involved. Make sure you and your roommates are very clear about how you will share the costs of *everything*.

For example, will you shop together and split the food bill, or will each of you buy your own food? How will you keep track of who makes long-distance calls? What if one person wants to turn up the heat, and the other wants to turn it down? What happens if one roommate damages the apartment and the landlord refuses to return your security deposit? What will you do if one of your roommates moves out?

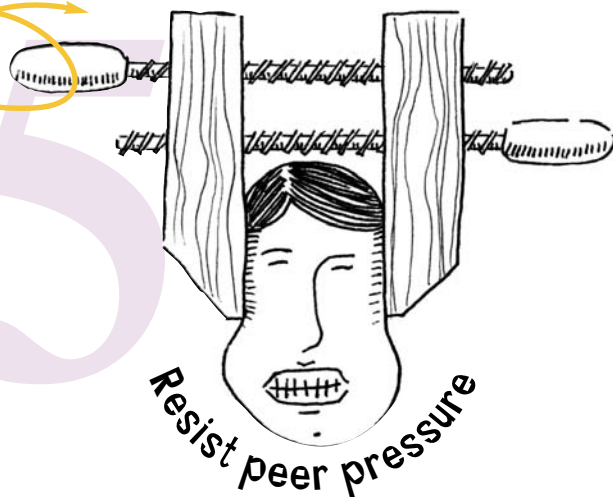
These are important issues that could end up costing a lot of money. Discuss these situations with your roommates *before* a problem comes up. Even better, put your agreement in writing with the signature of each roommate.



## Pay the rent on time



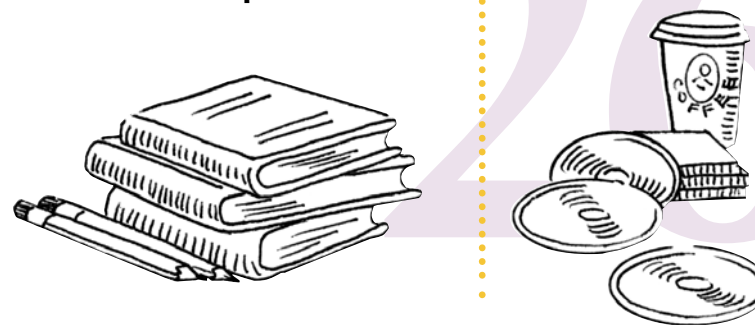
Always pay the rent on time. That will help you build good credit. If something unavoidable happens and the rent will be late, call your landlord immediately. Explain the situation and try to make at least a partial payment by the due date. Then, give the landlord a definite plan for paying the rest. If your lease says there is a penalty for paying late, expect to pay it. If you're really short of money, ask the landlord if you can do some chores to pay for part of the rent.



**M**any students report that they sometimes feel pressured by college friends to spend money that they don't have. Here are a few strategies to deal with the situation:

- ⚡ Write down your long-term goals and how a college education will help you reach them. Read this list every day to remind yourself why you have made the financial commitment to attend college.
- ⚡ Go with your friends to free or low-cost college events, such as lectures, dances, sports, and movies.
- ⚡ Keep track of how much you spend on *everything*. If it's more than you can afford, make changes.
- ⚡ Be willing to say, "No, I can't afford to do that." Many students don't have much money, but sometimes they are unwilling to admit it. Your willingness to be honest and live within your means sends a strong message to your friends that you are your own person.

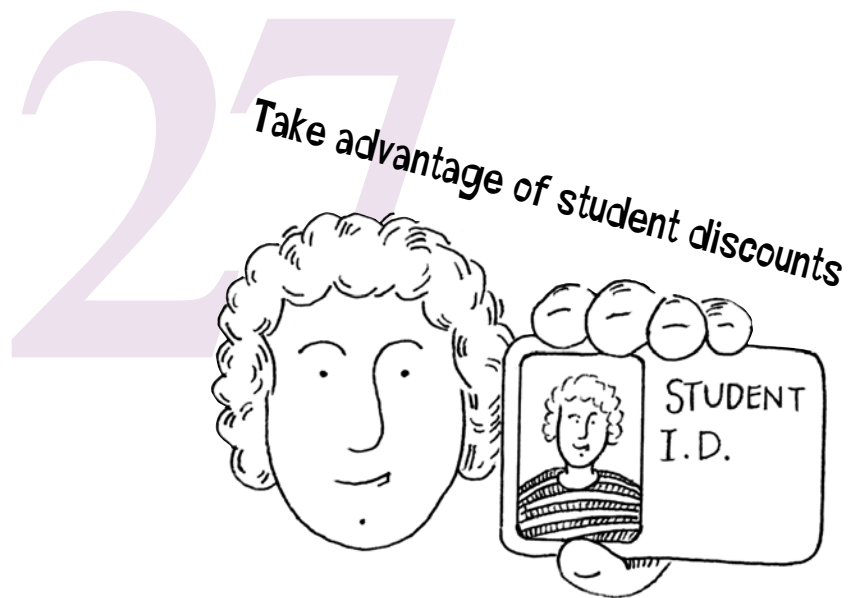
## Separate needs from wants



**H**ave you ever heard the phrase, "He spends money like it's going out of style"? If that describes you, you'll be broke before the semester is over.

To put the brakes on spending, ask yourself the following question before you buy something: Do I *need* this or do I just *want* it? You'll be surprised how many things fall under the "want" category. Try to buy only what you need right now. When you are out of school and earning a good salary, you'll be able to afford more of the things you want.





**G**oing to the movies, riding the bus, or even ordering pizza might cost less if you show your student I.D. College bookstores usually sell used textbooks for less than new ones, and campus health centers may provide free or low-cost health care. Ask the bank if it has checking accounts that cost less for students.

If you have a car, find out if the insurance company provides a discount for students with good grades or for students who attend school more than 250 miles from home and plan to leave their car at home. Will you be flying home for the holidays? Ask about student discounts and make your reservations far enough in advance to qualify for lower fares.



**S**ome colleges set up special spending accounts for students. You put a certain amount of money into the account and then receive a card to use to pay for things around campus. These student accounts are handy, but watch out! It's easy to lose track of how much you are spending.

One idea: Get a small notebook and write down the cost of everything you buy with your student account, just like you would write down every check you use. That way, you'll know at a glance how much you've spent and how much you have left. You'll also have a record in case of mistakes.

## 29

### Don't let car expenses drive you nuts

**A**sk yourself: Do I really *need* a car at college? Most campuses are designed for students who walk, bike, or ride the bus. Some colleges don't allow freshmen to bring their cars to school at all. Selling your car, or leaving it at home, can be a real money saver for college students.

If your car is a necessity, here are a few tips for keeping the costs down:

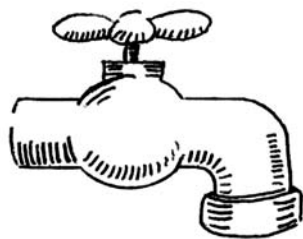
- ⚡ Drive safely. Insurance companies charge less for drivers who have no violations or accidents.
- ⚡ Shop for insurance. By law, you must have insurance on your car. Call several companies and compare prices. Ask if there are special discounts for students with good grades. If you have an older car, consider carrying liability coverage only instead of paying for a more expensive comprehensive policy.



- ⚡ Combine errands so you only take your car out once.
- ⚡ Park your car in the cheapest lot on campus—even if that means you have to walk farther to class.
- ⚡ Get routine car maintenance done on time. You'll extend the life of your car and avoid more costly repairs.



## 30 Plug everyday spending leaks



**H**ere are a few other ways to stretch your money while you are in school:

- ⚡ Keep your money in the bank instead of in your wallet. The less cash you have handy, the less tempted you will be to spend it.
- ⚡ Avoid paying interest—save money to buy things instead of taking out a loan or using a credit card.
- ⚡ Leave your credit card at home when you go out.
- ⚡ Cut out costly habits such as smoking cigarettes or buying lottery tickets. (Did you know that if you smoke a \$3 pack of cigarettes a day from age 18 to age 65, you'll send \$51,465 up in smoke!)
- ⚡ Shop at thrift stores, garage sales, or flea markets for everything from furniture to sports equipment.
- ⚡ Avoid rent-to-own stores, pawnshops, and check-cashing stores. They are not a good deal!

- ⚡ Make a shopping list and stick to it so you won't spend on impulse. Clip coupons to save even more.
- ⚡ Write letters or use e-mail instead of calling long distance.
- ⚡ Give homemade gifts.
- ⚡ Compare prices on-campus with prices off-campus. Compare at three places.

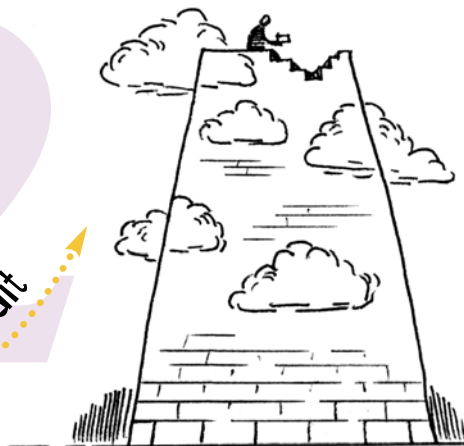


## 31 Make a spending plan

One of the best ways to keep track of your money is to use a spending plan or budget. Think of a spending plan as your financial map. It tells you exactly how much money you have coming in every month, where you must spend it, and where you might be able to save a few dollars.

A spending plan worksheet is provided at the end of this book. Make several copies of it so you can fill out a new one whenever your financial situation changes.

Build good credit



**“G**ood credit” means that you pay your bills on time and you repay your loans as promised. A good credit record will enable you to take out a loan if you want to buy a car or house, or start a business someday.

Credit-reporting agencies (sometimes called credit bureaus) keep track of your debt and how you pay bills. They provide this information to businesses when you apply for a loan or a job, or look for an apartment. To order a copy of your credit report, visit the Web sites of one of the three major credit-reporting agencies listed on page 53.

Here are five steps for building good credit:

1. Pay basic expenses, such as rent and utilities, on time.
2. Make loan payments on time.
3. Pay loans before you spend money on other purchases.
4. Apply only for the credit you need. (If you apply too often—say, to get a free gift—lenders may think you are using too much credit.)
5. Do not bounce checks.

## Avoid credit card ‘pushers’

**R**ecently, a major U.S. university reported that it lost more students to credit card debt than to flunking out!

Many colleges and universities allow vendors to hawk their credit cards on campus in return for the payment of millions of dollars. These vendors offer everything from free T-shirts to duffel bags if students will apply for their card. The result: Many college students are head over heels in debt. It can take years to pay off these debts.

Don’t give in to credit-card pushers. If you think you need a credit card, **GET ONLY ONE CREDIT CARD AND PAY IT OFF EVERY MONTH.** Better yet, avoid credit cards altogether. Even some people with full-time jobs can’t pay off their credit card balances each month. As a student, what are the odds you’ll have better success?



## Take control of your credit card



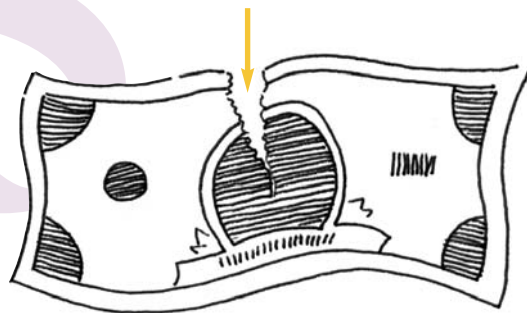
**I**f you decide you must have a credit card, manage it wisely. Here are eight ways to take control of your credit card:

1. Keep only one major credit card.
2. Shop around for a card that has no annual fee, a lower interest rate, and a 20- to 30-day grace period (the amount of time you have to pay for new purchases before interest is charged). Avoid cards that charge a one-time processing fee and cards with low introductory interest rates that shoot up in a few months. You can shop for the best credit card deals on the Internet. Try the Bank Rate Monitor's site ([www.bankrate.com](http://www.bankrate.com)).
3. Consider getting a credit card that's secured by a bank deposit, meaning that you have enough money in a savings account to equal the credit limit on the card. A secured credit card can help you get used to handling credit while building a good credit history.



4. Don't charge anything you can't pay for right away, except for real emergencies, in which case you might allow yourself three months to repay. (By the way, emergencies do not include clothing or eating out.)
5. Mail the payment several days before the due date so you won't be charged a late fee. Pay the whole balance. If you can't, at least pay more than the minimum due to keep interest charges down.
6. Think of your credit card as a loan. Before you pull out your credit card, ask yourself, "Would I really go to the bank and take out a loan to do this?"
7. Subtract your credit card purchases from your checking account so you'll have enough money to pay the bill.
8. Do not use a cash advance from a credit card unless you have a serious emergency. You'll probably pay a fee for the money, and you'll be charged interest immediately.

## 35 Keep your friends and money separate



One of the quickest ways to destroy a friendship is to get into a hassle about money. Avoid the problem in the first place. Make a pact with yourself that you won't borrow money from your friends—and you won't lend money to them, either. Then, if your buddy asks for a loan, simply say, “Sorry, but I can't. I made a promise not to lend money.”

The same goes for allowing someone else to use your credit card. Don't do it. Regardless of who uses the card, you will be responsible for paying the bill.

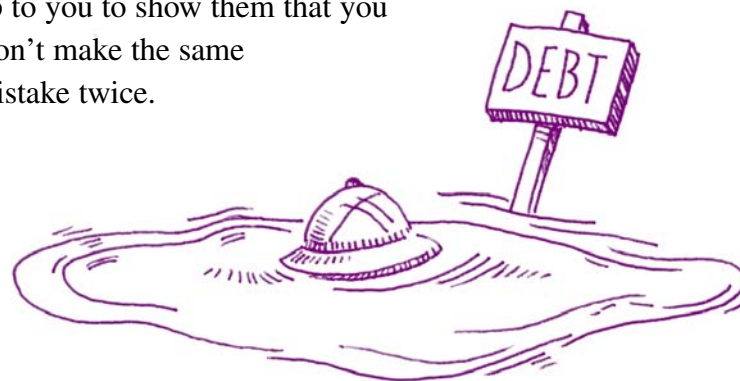


## 36 Get help if you get into debt trouble

Do any of the following sound familiar? If they do, you may be in debt trouble:

- ✦ You don't know how much money you owe.
- ✦ You use credit cards to pay normal bills.
- ✦ You borrow from one credit card to pay another.
- ✦ You only make the minimum payment shown on your credit card bill.
- ✦ You miss payments, or you pay your bills late.
- ✦ Creditors telephone you to ask where their money is.
- ✦ You get a job just to pay off your credit card.

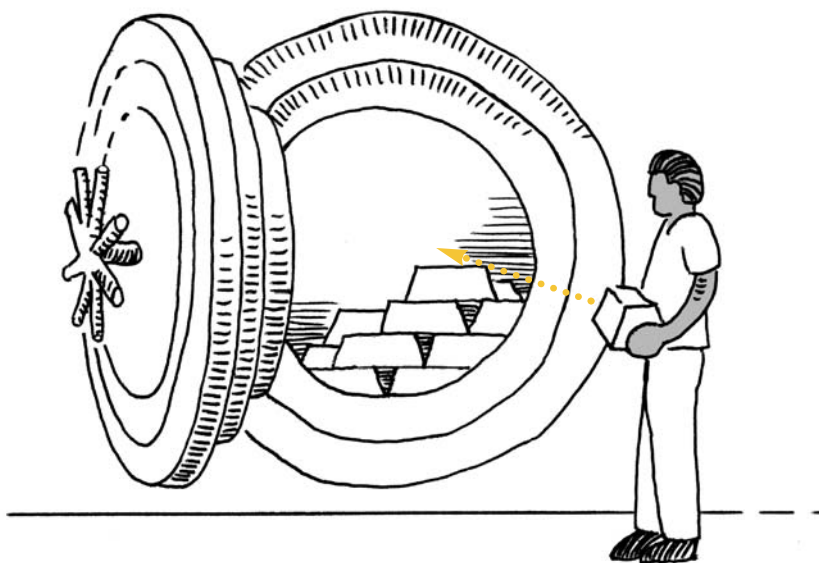
If you find yourself in this kind of debt trouble, talk to someone! The dorm's resident advisor, a financial aid officer, or a psychologist at the campus medical center are people you might talk to. You also can call a nonprofit debt-counseling organization, such as the Consumer Credit Counseling Service (1-800-388-2227). And talk to your parents. They can be your biggest ally in helping you get out of a financial jam—but it's up to you to show them that you won't make the same mistake twice.



## Get into the savings habit

**T**here are only two sources of money in this world: people at work and money at work. When you save and invest, you put your money to work for you.

If you aren't in the habit of saving money, now is the time to get started. Set up a savings account at a bank. Shop around to find one that does not charge a monthly fee for accounts with small balances. Ask if the bank will count your checking and savings account balances together so you can meet their minimum deposit requirements.



## Pay yourself first

**Q**ue way to get in the habit of saving money is to “pay yourself first.” That means putting money in your savings account *before* you spend it on other things.

You might think it's impossible to save money, while you're in college. Think again! Here are a few ideas to try:

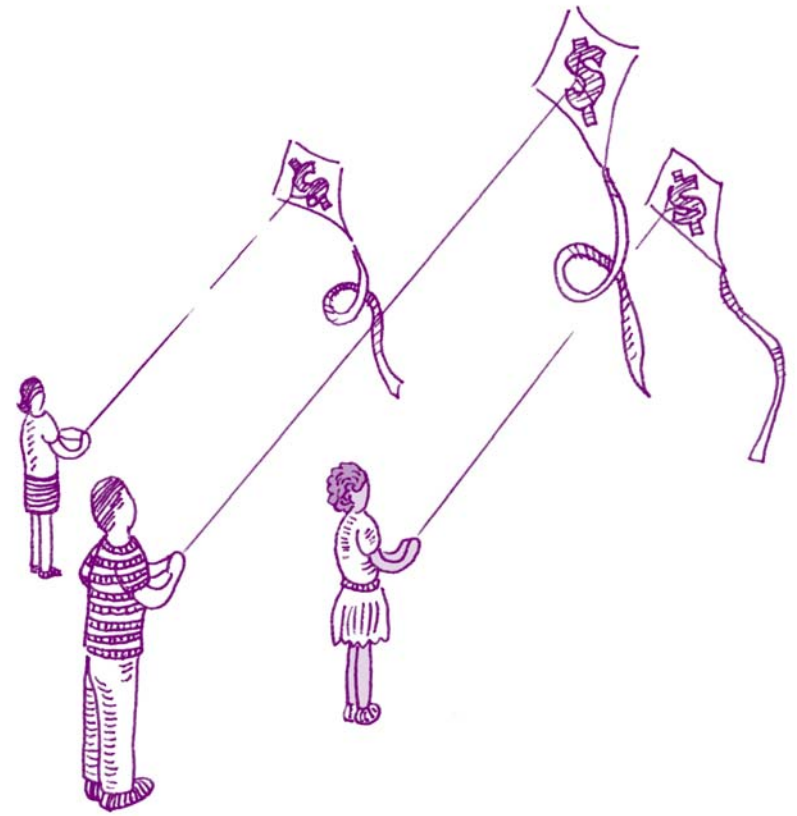
- ⚡ If you get money from home, put part of it into your savings account and the rest into your checking account.
- ⚡ If you have a job, put \$10 or \$20 from each paycheck into your savings *before* you pay other bills.
- ⚡ Put \$1 a day plus your loose change in a cup or jar. By the end of the month, you may have \$50 or more to deposit into your savings account.
- ⚡ You'll be more motivated to save if you have a goal for the money. One goal should be to set aside a few hundred dollars for an emergency. That way, you won't have to call mom or dad to bail you out.

**B**ank savings accounts are only one place where you can *save* your money. You also can *invest* your money in mutual funds, stocks, bonds, and real estate. To learn more about these options, check out some of the books and Web sites listed at the end of this book.

Here are two general rules about saving and investing:

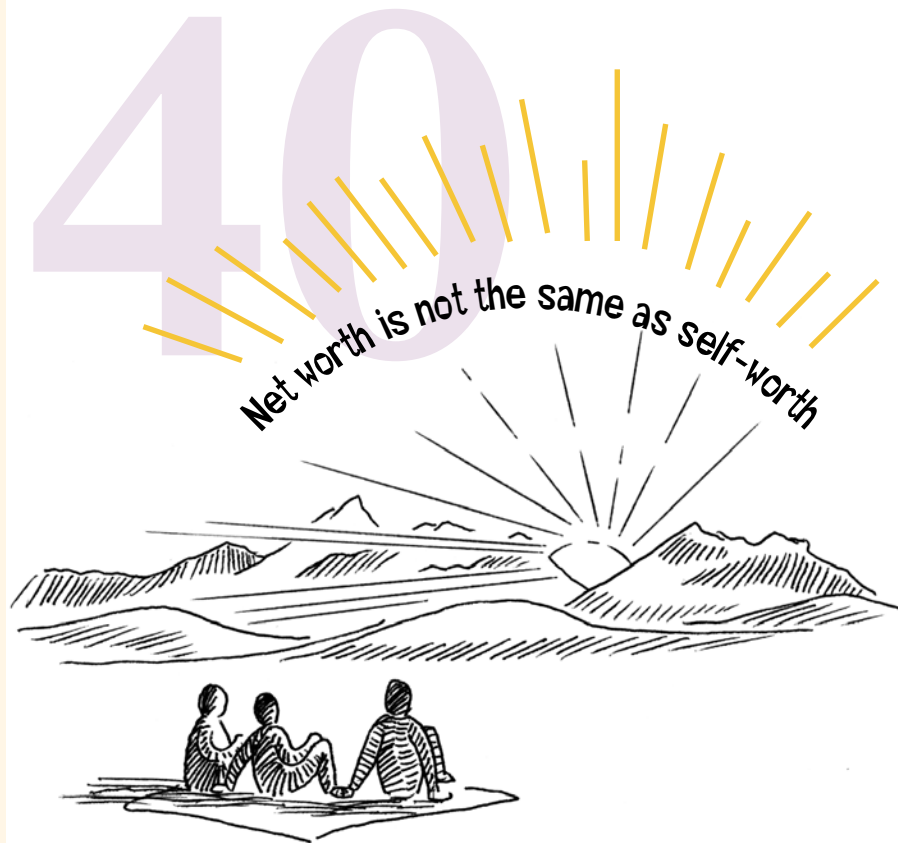
1. **Start now while you are young.** The real power of money is that it can grow dramatically over time—if you save it in the first place. And time is on your side.

**Fact:** Invest **\$78.01** a month, starting when you are 18 (that's only \$2.30 a day, less than a pack of cigarettes or a slice of pizza and a soda). Earn 10 percent on the money, compounded monthly, and you will have **\$1 million** when you are 65. Wait until you are 25 to start investing, and you'll have to double your savings to **\$158.13** a month to reach the same \$1 million goal!



2. **The greater the potential return, the greater the potential risk.** When you save money in a safe place like a bank savings account, the return you get on your money is likely to be low. When you invest your money in something like a mutual fund (a collection of stocks and bonds) you *may* get a much better return on your money—but you take on much more risk. In other words, you can earn more or lose more when you invest. In general, when you have a long time to invest, you can afford to take more risk with your money.

**Fact:** If you save \$1 a day from your 18th birthday until your 65th birthday, and the money earns 5 percent, you will have \$69,232.43. Invest the same amount in a mutual fund that earns 10 percent a year, and you'll have \$397,398.93!



**M**oney is important, but it's not everything. Good friends, strong values, and work you enjoy count for more than all the money in the world. Money is only a tool to help you get where you want to go. Use it wisely to reach your dreams.

*Good luck!*



## Step 1: Identify Income



**U**se this worksheet that follows to estimate your monthly income. Do not count as income any financial aid that is not sent to you, but is paid directly to the college. You are not responsible for managing that money. If you receive some of your financial aid in a lump-sum payment, divide the total amount by the number of months it must last.

### Monthly Income Worksheet

Sources	Per Month
Financial aid (grants, loans, scholarships) <i>paid directly to you</i> .....	\$ _____
After-tax wages from a job .....	\$ _____
Financial help from family .....	\$ _____
Withdrawals from savings .....	\$ _____
Other (child support, public assistance, gifts, etc.) .....	\$ _____
<b>Total Income</b> .....	\$ _____

## Step 2: List Expenses

**U**se the worksheet on the next page to estimate your monthly expenses. If you are not sure how much you spend every month, start a spending notebook. Write down what you spend on *everything* for the next two or three months. At the end of the time, add up what you have spent, divide by the number of months, and use the results to complete the worksheet. Do **not** list as an expense any tuition or fees that are paid directly to the college by your financial aid sources. You are not responsible for managing that money.



## Monthly Expenses Worksheet

Sources Per Month	Per Month
Savings* .....	.\$ _____
Tuition and fees you are responsible for paying	.\$ _____
Textbooks .....	.\$ _____
School supplies .....	.\$ _____
Rent, mortgage, or dorm room .....	.\$ _____
Food (groceries or meal plan) .....	.\$ _____
Utilities (heat, water, electricity) .....	.\$ _____
Telephone .....	.\$ _____
Transportation (gas, oil, car payment, travel at holidays) ...	.\$ _____
Insurance (car, health, renter's) .....	.\$ _____
Child care .....	.\$ _____
Loan/credit card payments .....	.\$ _____
Donations .....	.\$ _____
Snacks/dining out .....	.\$ _____
Clothes .....	.\$ _____
Entertainment (movies, dates, concerts) .....	.\$ _____
Other .....	.\$ _____
<b>Total Expenses</b> .....	<b>.\$ _____</b>

\*If you think of saving money as a regular monthly expense, you will be more likely to get into the savings habit.

## Step 3: Compare Income and Expenses

Write down your total monthly income (from Step 1) .....\$ \_\_\_\_\_

Write down your total monthly expenses (from Step 2) .....\$ \_\_\_\_\_

Subtract expenses from income and list amount here .....\$ \_\_\_\_\_

## Step 4: Set Priorities and Make Changes

Was there money left over at the end of the month?  
Congratulations! If you treat it wisely (for example, putting it into a savings account), you will be on your way to building your financial independence. If you came up short, review your spending plan to figure out where you can cut some expenses or increase your income (or both).



## Books

*Get a Financial Life: Personal Finance in Your Twenties and Thirties*, by Beth Kobliner (NY: Simon & Schuster, 1996).

*Investing on a Shoestring*, by Barbara O'Neill (Chicago: Dearborn Financial Publishing, 1999).

*Live Long and Profit: Wealthbuilding Strategies for Every Stage of Your Life*, by Kay R. Shirley (Chicago: Dearborn Financial Publishing, 1997).

## Web Sites

### Nonprofit Organizations

Alliance for Investor Education, [www.investoreducation.org](http://www.investoreducation.org)

American Savings Education Council, [www.asec.org](http://www.asec.org)

Consumer Information Center, [www.pueblo.gsa.gov/money.htm](http://www.pueblo.gsa.gov/money.htm)

National Endowment for Financial Education, [www.nefe.org](http://www.nefe.org)

National Foundation for Consumer Credit, [www.nfcc.org](http://www.nfcc.org)



## General Personal Finance

[www.financenter.com](http://www.financenter.com)

[www.moneycentral.msn.com](http://www.moneycentral.msn.com)

[www.usatoday.com/money](http://www.usatoday.com/money)

[www.ramresearch.com](http://www.ramresearch.com)

[www.rate.net](http://www.rate.net)

## Credit-Related

[www.equifax.com](http://www.equifax.com)

[www.experian.com](http://www.experian.com)

[www.transunion.com](http://www.transunion.com)

## Investing

<http://finance.yahoo.com>

[www.bloomberg.com](http://www.bloomberg.com)

[www.invest-faq.com](http://www.invest-faq.com)

[www.thestreet.com](http://www.thestreet.com)

**40** *Money Management Tips Every College Freshman Should Know* was written and prepared as a public service by the Denver-based National Endowment for Financial Education®, or NEFE®; William L. Anthes, Ph.D., *President*; Brent A. Neiser, CFP, *Director of Collaborative Programs*; and Jeannette Herreria, *Project Manager*.



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